DJA
FINANCIAL AID SERVICES, INC.

OCTOBER 2022 NEWSLETTER

IMPORTANT DATES:

October 1

October 10
Columbus Day – DJA Open, Federal Offices Closed

October 18
Happy National Financial Aid Day!

***October 26* (New DATE)**
DJA Webinar
Enrollment Reporting/NSLDS
11:00 a.m. CDT

October 31
Happy Halloween!

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It's October! Anybody else feel like taking a deep breath now that a lot of the major deadlines due in the month of September have passed?! Unfortunately, the Financial Aid Industry rarely offers down time and October 1st marks the date students can begin completing the 2023/2024 FAFSA. Now it is time to start focusing on preparing for another award year. To assist you in your preparation efforts, we invite you to read both the industry updates and compliance standards shared within our newsletter.

We also discuss the newly published Cohort Default Rates you should have received last month. Nationally, CDR's are experienced a significant downward move after the freeze on loan repayment during the COVID-19 pandemic. Secondly, we share the Department's recent announcement regarding the update for the 22/23 Supplemental Campus Based Funding allocations due to the declaration of the natural disasters of Hurricane Fiona and the severe storms in Kentucky.

Lastly, be sure to review our Compliance Corner regarding the updated guidance and procedures for change in ownership. Even if this is not a decision that is on your radar, it is imperative you are up to date on regulations should your institution find itself in this position in the future.

Thank you and until next time, stay safe and take care!

Deborah John, President

IN THE NEWS: STUDENT LOAN DEBT RELIEF UPDATE AND LEGAL CHALLENGES ARISE

Student Loan Debt Relief Update

On Thursday, September 29, 2022, the United States Department of Education (USDE) released the first update on the Biden-Harris Administration's Student Debt Relief Plan. The posted bulletin was sent to student loan borrowers via email and outlines the upcoming steps. In addition to reiterating the eligibility parameters, the correspondence also communicates how the debt relief will work and what the application process will look like.

As mentioned in the initial sharing of the Student Debt Relief Plan, eligible borrowers will be granted up to $10,000 in debt relief and if they received a Pell Grant, up to $20,000 in debt relief.

Borrowers are eligible if their income for 2020 or 2021 is either:

- Less than $125,000 for individuals
- Less than $250,000 for households

For dependent students, eligibility is based on the parental income.

Coming this month, USDE will launch a short online application for student loan debt relief. Once applications are submitted, they will be reviewed to determine eligibility and the amount of debt relief to be issued. The USDE will work directly with the loan servicer(s) to process relief and will only contact students if they need any additional information. At this point, students will need to watch for further correspondence regarding when the application will be started (the announcement shared it will run from sometime in October 2022 until December 2023). The USDE shared that following this bulletin, they intend to send weekly updates with more details as more information becomes available.

Lastly, the Department warned borrowers to be aware of scams. The USDE will never requirement payment to assist with federal student aid OR debt relief. Any company who reaches out offering assistance with loan discharge, forgiveness, cancellation and/or deb relief for a fee is NOT related to the USDE and should be considered a scam. Emails to borrowers come from noreply@studentaid.gov,noreply@debtrelief.studentaid.gov or ed.gov@public.govdelivery.com. Scam attempts are to be reported to the Federal Trade Commission by calling 1-877-382-4357 or visit reportfraud.ftc.gov.

Student Debt Relief Plan Update

Frequently Asked Questions

Legal Challenges

As Biden-Harris's Debt Cancellation Plan moves forward, last week the first legal challenge was presented. The lawsuit was filed by the Pacific Legal Foundation, a nonprofit legal organization, last Tuesday September 27th and argued that providing most student loan borrowers with debt relief was an illegal use of authority. The basis of such argument is that borrowers in certain states will face state income tax assessments they could otherwise avoid without this debt relief program. Several states, including Indiana where the lawsuit was filed, have indicated they plan to impose a state tax on the amount of loan forgiveness given to borrowers. The lawsuit was filed against the Education Department and Secretary Miguel Cardona in federal court in the Southern District of Indiana.

Although a federal judge two days later was quick to determine Biden's loan cancellation plan would not bring irreparable harm to student loan borrowers, the initial plaintiff's already plan to amend their complaint and refile.

Shortly after the first lawsuit, six Republican-led states filed their suit on the Biden administration in an effort to halt its plan to forgive student loan debt for tens of millions of Americans, accusing it of overstepping its executive powers. As a result of this lawsuit, the Biden administration made changes to their eligibility requirements by stating that borrowers, "with federal loans that are owned by private banks, including the FFEL program and Perkins loans, will now be ineligible unless they already consolidated their loans into the government's direct lending program before Thursday. The change will reverse eligibility for about 770,000 borrowers, the department said."

The third and most recent challenge filed by the Arizona Attorney General accuses President Biden of using the Covid-19 pandemic to back his loan cancellation plan, even though he declared the pandemic as being over. The lawsuit also alleges that the Student Debt Relief plan undermines the existing Public Service Loan Forgiveness program.

1st Legal Challenge: Biden's student debt relief faces first major legal challenge - POLITICO; gov.uscourts.insd.203163.16.0.pdf (courtlistener.com)

2nd Legal Challenge: GOP states sue Biden administration over student loan plan | AP News

3rd Legal Challenge: gov.uscourts.insd.203163.16.0.pdf (courtlistener.com)

FY 2019 OFFICIAL COHORT DEFAULT RATES RELEASED SEPTEMBER 29th AND THE NATIONAL DEFAULT RATE BRIEFING

On Thursday, September 29, 2022, USDE distributed the FY 2019 official cohort default rate (CDR) notification packages and accompanying documentation via the Student Aid Internet Gateway (SAIG) to all eligible schools. FSA did share an issue with online reports being sent to users' SAIG mailboxes. Any schools who did not receive their CDR's is able to place an online request to download the Excel version of each report.

The affected reports are as follows:

- GACDR NSLDS GA CDR History Report (GACDREOP)
- LRCDR NSLDS Lender CDR History Report (LNCDREOP)
- LSCDR NSLDS Lender Servicer CDR History Report (AHSLDEOP)
- SHCDR NSLDS School CDR History Report (SHCDREOP)

If help is needed with the fixed-width version of any of these reports sent to your SAIG mailbox, contact the NSLDS Customer Support Center at 1-800-999-8219 or nslds@ed.gov.

Each eCDR package contained the following information:

- Cover Letter (message class SHDRLROP)
- Extract-Type Loan Record Detail Report (message class SHCDREOP)

Notes (previously offered in the standard eCDR package):

1. A Comma Delimited-Type Loan Record Detail Report (message class CDRCSVOP) is available via NSLDS Professional Access. Go to the Reports area to download the report or to have it sent to an SAIG mailbox.
2. A Reader-Friendly Loan Record Detail Report (message class SHCDRROP) for FY 19 is being updated to PDF and will be available soon via NSLDS Professional Access. We will inform schools when this report can be downloaded from the Reports area.

Schools not enrolled in eCDR were not sent eCDR notification packages. These schools may download their cohort default rate and accompanying Loan Record Detail Reports from the National Student Loan Data System (NSLDS®) via the NSLDS Professional Access website.

LRDR File review: Schools are reminded of the availability of the NSLDS Loan Record Detail Report (LRDR) Import Tool. The LRDR Import Tool can be used to easily load data generated from the LRDR into the Microsoft Excel spreadsheet application, which is designed to assist schools with reviewing and analyzing their LRDR extract files. To download the LRDR Import Tool, go to the Default Management-Templates and Spreadsheets Topics Page. The LRDR Import Tool can be found in the section. If you have questions about using the LRDR Import Tool or NSLDS, contact the NSLDS Customer Support Center at 1-800-999-8219. You can also contact Customer Support by email at nslds@ed.gov.

Note: Any school that did not have a borrower in repayment, during the current or any of the past cohort default rate periods, will **not** receive a FY 2019 official CDR notification package. These schools are considered to have no cohort default rate data and no cohort default rate.

Guaranty agency rates and lender rates were provided via email. Both guaranty agency and lender rates can also be obtained through the NSLDS website.

Begin Dates for Appealing FY 2019 Official Cohort Default Rates

The period for appealing the FY 2019 official CDR under 34 C.F.R Part 668, Subpart N begins on Monday, Oct. 10, 2022, for all schools.

Reminders About the Cohort Default Rate Appeal Process

Schools must use the electronic Cohort Default Rate Appeals (eCDR Appeals) System for the following appeals and adjustments.

- Loan Servicing Appeal
- Uncorrected Data Adjustment
- New Data Adjustment

Previously, some appeal types could be mailed to us in paper format, however the transition to electronic submissions (email) was made 2020. Schools must submit the following appeals electronically via password secured email (not the eCDR Appeals System) to the Cohort Default Rate Group; **paper submissions will not be accepted**.

- Economically Disadvantaged Appeal
- Participation Rate Index Appeal
- Erroneous Data Appeal

Send these appeals to FSA.Schools.Default.Management@ed.gov with a copy (cc:) to mary.mcgeorge@ed.gov. The subject line of the email should be labeled as: **FY 2019 Official [Insert appeal type], OPEID**.

As a reminder, eCDR Appeals is a web-based application that allows schools to electronically submit certain adjustments/appeals requests during the specified timeframes. The application allows data managers (guaranty agency or federal loan servicer) and Federal Student Aid personnel to electronically view and respond to these adjustments/appeals. The application tracks the entire life cycle of each request from the time the case is submitted until the time a decision is made and the case is closed.

If a technical problem caused by the Department results in an inability to access the data, schools have **five business days from the receipt of the eCDR notification package** to notify Partner Eligibility and Oversight Services (PEOS) at the email address given below. As stated above, the time period for challenging the FY 2019 official CDR begins on Monday, Oct. 10, 2022, for all schools.

To complete an adjustment or appeal, you may need the data manager's contact information. Click on the "Alphabetical and Numerical Data Manager Contacts" link from the home page of the Default Management Topics page on the Knowledge Center.

If the Department revises a school's cohort default rate based on its adjustment or appeal submission, the revised cohort default rate will be available on the Default Management Topics page.

For specific information regarding eCDR Appeals, visit the eCDR Appeals website where you will find user guides for each of the challenge and adjustment processes, as well as a user guide for the registration process. Additionally, you will find links to recordings of eCDR Appeals demonstration sessions to assist first-time users.

***NEW*Default Management Website Updates and Content Consolidation**

Currently, CDR information is spread across multiple websites and servers. With the release of the rates, we will fully integrate all CDR information under the Default Management Topics page on the Knowledge Center. The move will streamline content and simplify navigation. It will also bring the look and feel of all CDR content in line with the look and feel of the Knowledge Center.

Any default management page URL that begins with "www2.ed.gov/OSFAP" will no longer be connected to the Knowledge Center as of Oct. 3, 2022, and fully retired as of Oct. 31, 2022. If a user has pages bookmarked with a URL that includes this prefix, he or she will need to update those bookmarks with the new pages as soon as possible; ideally, users should update the bookmark to the Default Management Topics home page: https://fsapartners.ed.gov/knowledge-center/topics/default-management. In two cases, there will be a redirect in place for a limited time. A user will receive an error message (likely a 404 error) for all other pages.

DJA Clients: This information was sent to <u>the SAIG mailbox for the destination point designated by the school</u>. If your school had designated DJA's SAIG mailbox for receipt of these files, they were sent to clients upon receipt in our SAIG mailbox on Monday October 3rd (as DJA experienced a delay in receipt of the Cohort Default Rates as mentioned above). However, if you are enrolled in the eCDR system under your own SAIG mailbox, you will need to look for your file there. Any school not enrolled in the eCDR process may download their cohort default rate and accompanying documentation from the National Student Loan Data System (NSLDS) via the NSLDS Professional Access Web site.

https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-09-29/fy-2019-official-cohort-default-rates-distributed-sept-29-30-2022-updated-sept-30-2022

National Default Rate Briefing for FY 2019 Cohort Default Rates

The National Default Rate Briefing for FY 2019 official cohort default rates was released in early October. The two-page briefing is linked below in PDF format. The national cohort default rate (CDR) for federal student loans that entered repayment in fiscal year (FY) 2019 dropped significantly, falling to 2.3% from 7.3% for loans that entered repayment in FY 2018.

The FY 2019 default rates were calculated using the cohort of student loan borrowers who entered repayment on their William D. Ford Federal Direct Loans or Federal Family Education Loans (FFEL) between Oct. 1, 2018, and Sept. 30, 2019, and who defaulted between Oct. 1, 2018, and Sept. 30, 2021.

FY 2019 cohort default rates were significantly impacted (hence the significant plummet) by the pause on federal student loan payments that began March 13, 2020. During the pause, borrowers with ED-held student loans were not required to make any payments, and no borrowers with ED-held loans entered default.

Some schools have a small number of student loan borrowers entering repayment. At other schools, only a small portion of the student body takes out student loans. In such cases, the cohort default rate should be interpreted with caution.

https://fsapartners.ed.gov/sites/default/files/2022-09/NationalCDR.PYComparisonCharts.pdf

INFORMATION RELATED TO 22/23 SUPPLEMENTAL CAMPUS-BASED FUNDS, HURRICANE FIONA AND THE SEVERE STORMS IN KENTUCKY

In last month's newsletter we shared the Aug. 25, 2022 Electronic Announcement, informing schools about the distribution of 2022–23 Supplemental Campus-Based funds. However, FSA has shared a recent Electronic Announcement providing updated information related to the partial distribution of Federal Supplemental Educational Opportunity Grant (FSEOG) supplemental funds to schools located in areas that have been impacted by Hurricane Fiona or severe storms in Kentucky.

Note: Federal Work-Study (FWS) will be allocated through the normal funding process as described in the Aug. 25, 2022 Electronic Announcement.

Distribution of Federal Supplemental Educational Opportunity Grant Funds

For the distribution of FSEOG funds, the information in the most recent announcement (linked below) supersedes the Aug. 25, 2022, announcement. The update indicates the Department of Education (the Department) will reallocate a portion of the supplemental FSEOG funds to schools located in areas that have been directly affected by Hurricane Fiona or the severe storms and had eligibility for supplemental funding. Schools are only able to receive FSEOG funding up to the amount requested on the Fiscal Operations Report for 2020–21 and Application to Participate for 2022–23 (FISAP). The purpose of the FSEOG program is to provide grant funding to assist qualified students who demonstrate financial need. The Department strongly encourages schools to award FSEOG funds to needy students, particularly those who are affected by Hurricane Fiona or the severe storms in Kentucky.

School Notification

Schools who received this supplemental funding were to be notified by email. This email was sent to the Financial Aid Administrator identified on the most recently submitted FISAP, or as updated on the "Demographics" page on the COD website.

In the email, schools were referred to their Statement of Account on the COD website which will reflect the supplemental award amount for each program.

To access the Statement of Account, schools should follow these steps:

1. Log in to the COD website
2. From the School tab, select the "Campus-Based System" link from the left navigation menu
3. Select "Self-Service," then "Notifications" from the left navigation menu

Contact Information

For additional information about the supplemental Campus-Based award process, contact the FSA Partner and School Relations Center at 1-800-848-0978. You may also email CODSupport@ed.gov.

https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-09-30/information-related-2022-23-supplemental-campus-based-funds-hurricane-fiona-and-kentucky-severe-storms

NEWEST UPDATE: MODERNIZED NSLDS PROFESSIONAL ACCESS SITE

As we mentioned in last month's newsletter NSLDS began modernization efforts to their Professional Access Site this past July. This complete overhaul of their system platform has come with several issues and caused an impact to many daily operations. FSA continues to keep the financial aid community informed regarding the modernization efforts, as well as the functionality within the site that has been affected. Their most recent Electronic Announcement shared on September 22, 2022 outlines updated information about NSLDS enrollment functionality, NSLDS postscreening, issues identified since launch, and resources.

Updated Information for NSLDS Enrollment Functionality

Without diminishing the importance of accurate and timely reporting of students' enrollment status information to NSLDS, NSLDS continues suspension of enrollment reporting rosters and all compliance notifications. Schools, school servicers, and enrollment providers should retain copies of this announcement, Sept. 22 Announcement and the Aug. 31 announcement as documentation for audit purposes. The Print button at the top left of each announcement can be used to print a formatted version of the announcement to paper or PDF.

Below is a summary of the enrollment-related issues identified to date.

Open Issues

- **New! Online Alerts:** Messages are appearing on the NSLDS Professional Access website alerting a school that it has been more than 65 days since the school last reported enrollment or that a school is otherwise late in responding to a roster. Schools should disregard these messages as they are not applicable at this time.
- **New! Enrollment Spreadsheet Submittal File-Level Errors:** Schools are receiving error messages when attempting to submit Enrollment Spreadsheets online. The messages do not identify or explain the error, so a school does not know how to correct the spreadsheet and complete submission. If a school receives such errors, contact the NSLDS Customer Support Center to assist in resolving the situation.
- **Enrollment History Update Functionality Suspension:** We must **continue to suspend Enrollment History Update functionality.** Identified issues are being researched and will share more information as soon as possible.

The focus when NSLDS resolves the identified issues will be to ensure that a student's current enrollment is correct on NSLDS Professional Access. As a result, there may be some gaps in the enrollment histories of affected students on NSLDS Professional Access. In preparation, schools should retain copies of this current announcement and the Aug. 31 announcement as documentation for audit purposes.

Note: Schools, school servicers, and enrollment providers can **continue to submit updates to current enrollment information** via the Enrollment Maintenance page and the Update Enrollment page on the NSLDS Professional Access website.

- **Updated! Enrollment Rosters:** September Rosters will not be sent as previously anticipated. Future announcements will be shared when rosters are ready to disseminate.
- **Updated! Roster Schedule Preferences:** Inconsistencies have been identified with roster schedule preferences within NSLDS Professional Access affecting a small number of schools. The cause of the issue has been identified and NSLDS is working to fix it as soon as possible.
- **Updated! Program Duplication:** The issue with enrollment processing that is causing a student's program to appear in duplicate and the certification of that student's enrollment to be disallowed has been identified. A fix is still underway.

Updated Information for NSLDS Postscreening

Updated! Since Sept. 9, 2022, NSLDS has completed postscreening for both the 2021-22 and 2022-23 award years on a weekly basis. If a school has questions about postscreening results, contact the NSLDS Customer Support Center so they can research the situation.

Issues Identified Since Launch

The following issues that have been identified since launch.

Open Issues

- **New! Perkins Submittal Files:** There is a delay in processing Perkins Submittal Files for schools that use a commercial Perkins servicer. NSLDS is working hard on the backlog to expedite as soon as possible.
- **New! School Portfolio Report Files:** School Portfolio Report files (SCHRPFOP) were sent to schools via SAIG from the wrong TG mailbox. When files are sent from the wrong mailbox, customers receive error messages directing them to contact CPS/SAIG Support. Because this is a known issue and NSLDS is in the process of resolving it, customers are asked to refrain from contacting CPS/SAIG Support for this reason. Further notification will be sent when NSLDS resends these files from the correct TG mailbox.
- **Printing:** NSLDS identified an issue with the internal formatting parameters of the NSLDS Professional Access website that makes printing webpage content using a computer's browser print function prohibitive. The content that prints on each page is limited to such an extent that thousands of pages generate for printing. Until we resolve the issue, schools should use a computer's Print Screen (PrtScr) or a software product's Screenshot (for example, Microsoft's Snipping Tool) functionality to capture and print webpage content needed for documentation purposes. Print screens and screenshots can be saved as PDF and encrypted if they need to be retained electronically.
- **Reports:** NSLDS has made significant process clearing the backlog in sending reports that are delivered via Student Aid Internet Gateway (SAIG) to schools. If a school is still waiting to receive a report, contact the NSLDS Customer Support Center so they can research the situation.

- **Updated! Aggregate Limits:** During the post implementation validation period, NSLDS has identified issues that cause the NSLDS prescreening process to incorrectly flag a student as exceeding one of the aggregate loan limits. They are planning to implement fixes for these issues by the end of September. After they implement the fixes, the aggregate calculations for a student will be corrected in the first October postscreening.

To read the announcement in it's entirety and a record of the resolved issues, we invite you to click here:

https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-09-22/nslds-professional-access-additional-information-about-modernized-website-9

CONSUMER FINANCIAL PROTECTION BUREAU: BLANKET WITHHOLDING OF ACADEMIC TRANSCRIPTS TO PRESSURE BORROWERS TO PAY CITED AS UNLAWFUL

The Consumer Financial Protection Bureau (CFPB) released a special edition of *Supervisory Highlights* on recent examination findings covering the practices of student loan servicers, and schools that lend to students directly. The exams found that these schools had improper blanket policies of withholding transcripts to force students to make payments. These findings come after the CFPB announced earlier this year that it would examine the operations of colleges that operate lending businesses. The CFPB's exams also found that student loan servicers illegally hampered borrowers' access to federal student loan payment relief and cancellation programs including Income-Driven Repayment, Public Service Loan Forgiveness and Teacher Loan Forgiveness. Although some states have already prohibited these practices, some have not. THE CFPB directed schools and servicers to remedy these issues.

Transcript Withholding

Under the Consumer Financial Protection Act, Congress gave the CFPB supervisory authority over entities that originate private education loans, including institutional loans. The CFPB examines private student lenders of all sizes, including entities that operate school-based lenders that extend loans directly to students.

Many in-house lenders employ a practice of withholding transcripts when a student borrower has an outstanding debt. Transcript withholding is designed to gain leverage over borrowers and coerce them into making payments, as it is difficult to seek employment or transfer education credits to another school without an official transcript. Even when borrowers enter into payment agreements with a school, the transcript might not be released until the debt is paid in full.

The CFPB's examinations found that the blanket withholding of transcripts to pressure borrowers is an abusive practice under the Consumer Financial Protection Act.

Servicers' Unlawful Impediments to Borrower Benefit Programs

The examinations also found many cases where federal loan servicers improperly denied borrower applications for loan cancellation through Teacher Loan Forgiveness or Public Service Loan Forgiveness. Servicers illegally misrepresented borrowers' eligibility dates and the number of payments the borrower needed to make to qualify for relief. Servicers also provided misinformation about borrowers' entitlement to progress toward loan forgiveness during the pandemic payment suspension. The CFPB directed servicers to address consumer harm caused by these actions, and it will continue to monitor servicers' practices to ensure that student loan borrowers are not illegally excluded from relief provided for them under federal law.

Separately, the CFPB reviewed the transfer of millions of borrower account records to different servicers, including the nine million borrower accounts transferred in July 2021 after the student loan servicers PHEAA and Granite State announced they were ending their contracts with the Department of Education. The CFPB partnered with the Department of Education and many state regulators in oversight of these account transfers to identify and address points of concern.

https://www.consumerfinance.gov/about-us/newsroom/cfpb-supervisory-examinations-find-violations-of-federal-law-by-student-loan-servicers-and-university-owned-lenders/

Supervisory Highlights Student Loan Servicing Special Edition

COMPLIANCE CORNER

UPDATED GUIDANCE AND PROCEDURES FOR CHANGE IN OWNERSHIP

FSA recently shared an Electronic Announcement providing several updates and reminders applicable to the change in ownership (CIO) process for eligible institutions, including the discontinuation of the Comprehensive Pre-Acquisition Review process; clarification regarding the process that must be followed when an institution acquires another institution with the intention of adding the acquired institution as an additional location; and a reminder about the importance of working with the Department of Education (Department) in addition to an institution's accrediting agency when undergoing a CIO.

Discontinuation of Comprehensive Pre-Acquisition Review

A pre-acquisition review by ED is an optional review process available to an institution that is considering a CIO. A CIO transaction can be completed without a pre-acquisition review. Over the past few years, FSA has offered two types of pre-acquisition reviews for an institution that is considering a CIO transaction: a Comprehensive Pre-Acquisition Review (CPAR), or an Abbreviated Pre-Acquisition Review (APAR).

To better serve institutions undergoing a CIO, and to provide more timely processing of pre-acquisition reviews, **the Department is no longer offering the CPAR option but will continue to offer the APAR**

option to institutions requesting a pre-acquisition review. The APAR will remain a valuable tool to ensure the new owner's timely submission of a materially complete application, including acceptable audited financial statements under 34 CFR 600.20(g)(2)(iv), since the APAR determination letter will put the parties on notice of the new owner letter of credit (LOC) requirements and amounts if the new owner is unable to provide two years of acceptable audited financial statements.

A CPAR has been a full, in-depth review of the proposed CIO transaction to identify impediments to the Department's approval of the CIO application, and to identify conditions that the Department is likely to impose in the temporary provisional program participation agreement or in the provisional program participation agreement if the CIO application is approved. This level of review required extensive analysis and resources, and as such, the amount of time necessary for each review meant that the Department often could not meet the parties' transaction closing timelines.

An APAR is a review of the proposed CIO transaction that is limited to addressing whether an institution will be required to post an LOC if the institution's prospective new owner is unable to provide two years of acceptable audited financial statements. Additionally, if multiple levels of ownership are identified in a prospective transaction, the APAR also determines which level of ownership must submit the audited financial statements for compliance with 34 CFR 600.20(g)(2)(iv) and (h)(3)(i).

In accordance with 34 CFR 668.14(g), an institution's program participation agreement automatically expires on the date the institution undergoes a CIO that results in a change in control. Under 34 CFR 600.31(a)(2), the Department may temporarily extend the institution's program participation agreement on a provisional basis following a CIO if certain conditions are met, including the submission of a materially complete application no later than 10 business days after the day the change occurs. As part of a materially complete CIO application, the institution must provide two years of acceptable audited financial statements from the new owner (see 34 CFR 600.20(g)(2)(iv)). If the institution's new owner does not have two years of acceptable audited financial statements, the institution must provide an irrevocable Letter of Credit or another form of financial protection acceptable to the Department no later than 10 business days after the day the change occurs in lieu of the required audited financial statements. If an institution does not submit a timely and materially complete CIO application, the Department does not issue a temporary provisional program participation agreement and the institution's Title IV participation ends (see 34 CFR 668.14(g)(1)).

Changes in Ownership Resulting in a Freestanding Institution Becoming an Additional Location of Another Institution

In 34 CFR 600.31(d), the Department lists several examples of a CIO that results in a change in control, including the "merger of two or more institutions." One possible outcome of such a merger is that one of the institutions will become an additional location of the other.

To be effective, a CIO that is intended to make one institution into an additional location of another must occur in two steps:

- First, a CIO must occur *for the institution that will become the additional location* of the other institution; and

- Second, after the Department has approved the actions taken in "Step 1" below, the other (acquiring) institution must submit an application to add the acquired institution as an additional location in "Step 2" below.

Until "Step 2" below is completed and the Department approves the additional location, the institution that has been acquired continues its existence as an independent institution and must continue to operate under its existing OPE ID. If it fails to do so, it will be deemed closed. Once the Department approves the additional location, the non-surviving OPE ID is discontinued.

Below is a summary of the process that must occur when an institution (through its owner entity) acquires or purchases another Title IV institution with the intention of making the acquired institution an additional location:

*Step 1: No later than 10 business days after the CIO occurs, the institution that is being acquired must update and submit the electronic "*Application for Approval to Participate in Federal Student Financial Aid Programs" *(E-App) for the change in ownership resulting in a change in control for the institution being acquired and submit documents required for a materially complete application.*

The institution being acquired must submit an E-App and the change in ownership documents outlined in 34 CFR 600.20(g)(2) no later than 10 business days after the CIO occurred. In the event that an institution fails to timely comply, it will be subject to a loss of Title IV, HEA eligibility pursuant to 34 CFR 600.31(a) and 34 CFR 668.14(g)(1).

When a CIO occurs, the Department may continue an institution's participation on a temporary provisional basis if the institution submits a "materially complete application" that is received by the Department no later than 10 business days after the date the change occurred, in accordance with 34 CFR 600.20(g)(1).

In accordance with 34 CFR 600.20(h)(2)(iii), the temporary provisional program participation agreement expires on the last day of the month following the month in which the CIO occurred. At the Department's discretion, the temporary provisional program participation agreement may be extended on a month-to-month basis only if, prior to the expiration date, an institution submits the required information outlined in 34 CFR 600.20(h)(3). In the event an institution does not timely comply with those requirements (required documents must be submitted no later than the last day of the month following the month in which the CIO occurred), the temporary provisional program participation agreement will expire on that date, without further notice.

The institution being acquired and its new owner may also be asked to submit additional documents and information (or requested confirmations) for the Department to complete its review of the institution's continued participation in Title IV, HEA programs following its CIO. The requested documents and confirmations must be submitted no later than the last day of the month following the month in which the CIO occurred, as described in 34 CFR 600.20(h)(2)(iii).

Step 2: The surviving main institution applies via the E-App for the merger of the institution that has been acquired in the CIO.

After the CIO is complete, the institution that intends to be the surviving main institution must apply for the merger of the acquired institution. The surviving main OPE ID number is retained while the non-surviving institution usually relinquishes its OPE ID to become an additional location. The regulations at 34 CFR 600.32 describe the eligibility requirements for an additional location.

Ensuring the Department is sufficiently informed about the change in ownership process

The Department is aware of instances where institutions have undergone CIOs or made other changes to its ownership or membership structure and consulted with (or obtained advice from) their accrediting agency under the agency's structural change standards but did not consult with the Department. Accrediting agency standards may not always align with the Department's requirements for CIOs and the approval of additional locations. When a school anticipates a change in ownership or acquisition of an additional location, it should notify its School Participation Division as early as possible to ensure that it remains in compliance with the requirements of 34 CFR 600.20(g) and (h).

The Department does not permit an institution to establish an "additional location" that is comprised solely of distance education coursework, even if the institution's accrediting agency treats such a change as the acquisition of a "branch campus" under the agency's standards. Therefore, if an institution intends to acquire another institution that offers 100 percent of its programming through distance education, it is especially important to notify the Department as soon as possible prior to consummating the transaction to avoid the acquired institution from losing its Title IV eligibility due to the CIO.

https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-09-15/updated-guidance-and-procedures-changes-ownership

DJA CALENDAR

DJA CALENDAR

Monthly DJA Webinar: **PLEASE NOTE NEW DATE**

Enrollment Reporting —Wednesday, October 26th at 11 a.m. CDT (We have had to postpone this training due to the aforementioned issues with the modernized NSLDS Professional Access Site and the subsequent effect it has had on Enrollment Reporting). We want to train our clients on the new procedures and currently their exist to many known issues to do so. As a result, this day may also be adjusted depending on how the modernization efforts evolve throughout the month.

NOTE: There may be a difference between DJA local time and your time zone. To determine your time zone equivalent, click on this link to view a time zone map: http://www.worldtimezone.com/time-usa12.php

Webinars are free to clients. There is a $45 fee for all others who may be interested in joining us for these presentations. Invitations are automatically sent to all clients, however if you do not receive an invitation, email

Renee Ford at rford@gotodja.com. After registering, you will receive the log-in information. Questions can be directed to Renee by email or by calling toll free at 1-800-242-0977.

2022 DJA MONTHLY WEBINAR SCHEDULE

OCT 26	Enrollment Reporting Using NSLDS
NOV 3	Program Integrity (Audits, Program Review)
DEC 1	1098-T Reporting

2022 FEDERAL STUDENT AID (FSA) TRAINING CONFERENCE GOING VIRTUAL November 29- December 2, 2022

There will be keynote addresses from U.S. Department of Education leadership, five general sessions, one foreign school session, 22 breakout sessions (covering the latest in financial aid policy, COVID-19 related impacts, and operational updates), and a new full-day format for Exhibit Hall (formerly the Resource Center) information.

The 2022 Virtual Federal Student Aid Training Conference agendas and session descriptions are located on the FSA Conferences website.

Registration is currently open. Click here to Register! Or visit www.prereg.net/2022/fsatc